



REGULAR MEETING
PUBLIC EMPLOYEES' RETIREMENT BOARD

JULY 13, 2006

The regular meeting was called to order by President Carey at 8:30 a.m. Thursday, July 13, 2006. Roll call was taken with all members of the Board being present, with Beth Nedrow attending via conference phone. Board members and staff present were:

Carole Carey, President
John Paull, Vice President
Robert Griffith, Member
Jay Klawon, Member
Troy McGee, Member
Elizabeth Nedrow, Member
Terry Smith, Member
Roxanne Minnehan, Executive Director
Melanie Symons, Counsel
Linda Owen, Secretary

OPEN MEETING

Stephen C. Kologi, AMRPE; Perry Christie, Tim Jones, and Kent Morris, Great-West Retirement Services; Chris Tobe, Aegon; Susan Asay, Marcia Clark and Bret Estep, PIMCO; Blaine Cowan, Missoula Rural Fire; Chad Nicholson, Matt Norby, Scott Moore, and Jack Trethewey, members of the Montana State Firemen's Association; and Kim Flatow, Member Services Bureau Chief; Barb Quinn, Fiscal Services Bureau Chief; Kathy Samson, Defined Contributions Bureau Chief; Katie Linjatie, Disability Claims Examiner; Diann Levandowski, Lenore Hardie, and Billie McDonald, MPERA, joined the meeting.

No public comment on any subject of interest to the Board not on the agenda.

MINUTES OF OPEN MEETING

The minutes of the open meeting of June 1, 2006 were presented. Mr. Paull moved that the minutes of the previous open meeting be approved. Mr. Smith seconded the motion, which upon being submitted to vote, was duly carried with the seven attending members voting aye.

Public Comment – Jack Tretheway reminded everyone they were invited to the Firefighters' Annual Convention at the Great Northern in Helena (July 12-14), as well as their picnic/hose coupling contest at the Lewis and Clark Fairgrounds Thursday evening.

EXECUTIVE DIRECTOR'S REPORT – Roxanne Minnehan, Executive Director

MPERA Staffing – Ms. Minnehan introduced new staff members to the Board: Diann Levandowski, Assistant Bureau Chief/Accounting Supervisor; and Lenore Hardie, Defined Contribution Accountant, are in the Fiscal Services bureau. Billie McDonald, Payroll Clerk, works half-time for the Defined Contribution Plans bureau and half-time for the Member Services bureau.

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Vacant Attorney Position – Four candidates were interviewed for the attorney position, with the two top candidates being interviewed a second time. An offer has been made and negotiations are under consideration.

Aegon Annual Update – Chris Tobe, with Aegon Institutional Markets, addressed the Board regarding Stable Value and the Montana plan structure. The Board holds the assets of this plan, PIMCO manages the assets, and Aegon puts a “wrap,” or synthetic GIC, over the top which smoothes them out to give a more stable return. With a traditional GIC, if Aegon were to default, the Board would take the full credit risk. With a synthetic GIC, since the Board holds the assets, they would only be taking on a very small 1-2% risk. Synthetic GIC’s are a lot less credit risk. Stable value is the largest investment option and is in many plans, is over 40% of the assets.

Mr. Tobe explained that the wrap provider achieves stable returns to the plan by applying a crediting rate to the portfolio that amortizes market gains and losses over the life of the contract. The result is a smooth, stable return to plan participants, regardless of market fluctuations. By putting a synthetic wrap over the top of a portfolio, they can get both the returns of active management and give participants the smoothness and stability they want.

In the current investment guidelines, the portfolio duration is important. The Board made a strategic decision when they took a lower risk approach to stable value and have taken the duration not to exceed four years. As an insurer, Aegon monitors the risk and is very concerned at the risk of the portfolio. The reason Aegon is allowing some of the higher yield assets and other securities in the portfolio is because the Board has kept the duration to four years. There are trade-offs. Aegon considers the duration risk to be the largest risk because the longer risk is more volatile.

Mr. Tobe explained that a crediting rate is a function of the underlying yield and market to book ratio. He noted that right now, we are at a 5.1% crediting rate. However, if crediting rates stay pretty much the way they are, the rate could take a slight dip downward to 4.8%, closer to the national average of 4.6%. The market to book value, and the duration and underlying portfolio yield are the two dynamics in the formula that determine the crediting rate. The vast majority of it is market driven.

PIMCO Annual Update – Brett Estep, Stable Value Product Manager with PIMCO, gave a brief update on what stable value funds are and what they are trying to achieve. Stable value funds have two main goals: to protect the principal of the participants who put money into the fund, and also protect the interest they have accumulated. It is very similar to a money market fund where a participant does not expect to have losses. However, it is different from a bond fund where a participant can lose money over time over various periods. Stable value funds try to combine the returns of a bond fund with the stability of a money market fund. The way they do that is with a bond portfolio, managed by PIMCO in this case, and a book value wrap provided by Aegon. The combination of those two provides participants with an intermediate term bond returns with the money market stability and principal preservation. The goal is to provide a safe asset class for participants to put their money into, but that can provide a higher return than money market funds.

Mr. Estep explained the advantage stable value funds have over money market funds, and how they compare to bond funds. The equity market would be the most volatile. Bond returns are a lot less risky than equity returns, and stable value money market returns are much less risky than bond returns. There are not big swings in stable value returns. PIMCO measures themselves against the bond market indexes on a market value basis for a couple of reasons. The stable value indexes are fairly good representations, but do suffer from some limitations: 1) book value returns are subject, not only to the quality of the management underlying the stable value funds, but the start date affects the performance, as well as the cash flow going in and out of the fund. These are things that are out of the control of the manager. They tend to not like book value performance comparisons because they can either overstate or understate the value added that comes from the fixed income end.

The stable value fund is not a marked to market type of accounting environment, it is a book value accounting environment. Regardless of what the underlying assets are doing, the participants get their principal plus the interest, so it is not truly a market to market environment except when you look at the underlying portfolio. Looking at book value returns can be helpful in gauging where you stand relative to the rest of the industry. The Board has a portfolio of assets that the plan owns, with a wrap contract provided by Aegon. If Aegon were to default and not be able to make good on their guarantee, the Board would have the entire value of the bond portfolio to protect.

Mr. Estep stated there were two ways to increase the return of a stable value fund. One would be to increase its yield; and the only way to increase its yield would be to take on additional risk, such as increasing the duration of the portfolio or increasing the allocation to risky assets. PIMCO does not advocate either of those two solutions at this point. They feel the returns on the Board's stable value fund are very good and do not recommend taking on any additional risk. The other way to increase the returns is, obviously, to improve that market value to book value ratio. That occurs by the performance of the underlying assets. Outperforming the benchmarks will increase the return. PIMCO feels the duration is right where it should be, and the asset classes they are allowed to use and the limitations the Board and Aegon have agreed to are very appropriate.

Marcia Clark and Susan Asay addressed the investment return of the actual underlying portfolio, and the outlook for interest rates and the portfolio going forward from this point. Marcia began with a summary of the returns on the underlying portfolio as of March 2006. PIMCO manages the assets to maximize return for the Board's level of risk. There is the yield component of the portfolio, as well as the market gains and losses of the portfolio. PIMCO's practice is to look for assets that will give excellent total return prospects, not necessarily to focus on assets that will pay high yields. Typically, the high yielding assets are also the ones with more credit risk. PIMCO looks at the expected returns compared to the possibility of something like a default and makes a decision on whether that is appropriate allocation of this type or not. PIMCO's philosophy for the past couple of years has been that credit risk is not being properly priced, not offering enough yield for the credit risk that is out there. PIMCO has been focused on a high quality portfolio. The result of this strategy has been to generate positive returns, which they think is a good thing even if they are not very large. That is because of the offset; yields go up, current rates go up, and the value of existing assets will go down. The Board's total return is low but positive in the bond portfolio, it is low and negative in the overall market, but the crediting rate is fairly stable.

PIMCO's three major investment conclusions are:

1. Stay with very safe, high quality assets.
2. Be diversified in international options, not just U.S. assets and equities.
3. Consider commodities.

Great West Annual Update – Great West Retirement Services (GW) provides recordkeeping and administrative services for the defined contribution plans. Tim Jones presented the Board with an annual update on the 457 Deferred Compensation Plan. He addressed demographics and participation statistics, asset allocation and diversification statistics, website activity, and participation activity. Mr. Jones stated GWRS would like to get Board input on what type of managed account program they would offer that would allow them to provide guidance, online investment advice, and managed account advice and service.

Mr. Jones noted system enhancements for the plans, a strategic plan summary, and their focus as a vendor in terms of how to provide communication and education services to the program. He saw the primary focus as informing and educating State of Montana employees, helping them make informed decisions, and enhancing investment and plan knowledge. GWRS feels it is important employees know the difference between their 401(a) and 457 plans, and how they work interchangeably or in conjunction with each other. There are many investment vehicles to use, but employees need to get educated on how they all work. Great West's four dimensions of service are plan participation, education, asset allocation and retiree outreach. The emphasis on what they would like to accomplish is enrollment, account review, risk suitability profile forms, asset allocation, diversification, and ongoing account management.

A menu of services Great West provides includes group presentations, individual counseling, retirement planning guidance, and Website/Key Talk assistance. Every individual and group meeting provided by Nancy Quirino or Susan Winchester is logged on a meeting tracking reporting system. They log every meeting, who they saw, and the nature of that meeting. This follow-up is required, and it is mandatory to collect the data and that it is accurate. Great West encourages feedback on how they did in 2005 and what they can do better in 2006. They believe that the power of partnership with the Board and staff is to have good lines of communication. They sincerely appreciate input, suggestions and critiques, letting them know what they do well and what they can do better.

Mr. Jones provided a brief review of the 401(a) Defined Contribution Plan, covering many of the same demographics provided for the 457 plan. Mr. Klawon asked if there were any statistics on people who are participating in both the 401(a) and the 457 plans, comparing their asset allocation. He was curious to know if participants in the 401(a) are as over-weighted in the fixed account as participants in the 457 plan. Mr. Jones noted that participants hold an average of 2.7 individual investment options versus 2.9 in the 457 plan. In the government and public sector, the average participant holds 4.6 investment options. Comparatively, participants in all DC plans hold an average of 5.3. The default in the 401(a) is the balanced fund. According to a recent national study, 57% of the DC participants who leave their current employer do not reinvest their retirement savings in a new salary reduction savings plan or individual retirement account. The 401(a) plan had year-to-date contributions of \$5.45 million and withdrawals of \$1.59 million for a difference of \$3.86 million.

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Mr. Jones reiterated that if there is any other information the Board would like to have Great West provide, they welcome the input.

FY 2007 Proposed Budget – Barb Quinn presented a proposed budget for FY 2007. Each June-July the Board approves the budget for the following fiscal year. Ms. Quinn explained the program expenditures and expenses. Allocation of dollars in each program is based on past history and educated assumptions/professional experience, as well as participation in a plan. The DC Plan is approximately 3% of participants.

The number of FTE's per program is determined by staff allocations. Only actual hours spent will be expensed to each program. Staff percentage by program is: DB Plan—81%; DC Plan—6%; 457 Plan—6%; DB Education—7%; DC Education—.09%. Personal Services is 47% of the total budget. We continue to operate under cap for FY 2007, by approximately \$215,000. Overall, 86% of budget was spent for FY 2006.

Mr. McGee had concern with getting too close to the cap and Ms. Quinn assured him that staff would be watching that. He liked the details presented, but would also like a comparison with last year included. Mr. Klawon moved to approve the Fiscal Year 2007 Budget. Mr. Griffith seconded the motion, which upon being submitted to vote, was duly carried with the seven attending members voting aye.

DC Fee Review – In conjunction with the proposed budget, Kathy Samson provided a review of the fees charged in the Defined Contribution Retirement Plan (DCRP). The MPERA administrative fee is 75 basis points annually, which is $\frac{3}{4}$ of 1% per year, charged at .1825% on a quarterly basis to participants. This fee was capped at \$300 beginning with the first quarter of calendar year 2006.

Ms. Samson noted that this is still a relatively new plan and has not yet established “trends.” The Board needs to decide what to do about the DCRP fees and how much confidence to put into the forfeitures, that being one source that carries the revenue for the plan. Mr. Smith stated that because of the uncertainties of the legislature, it would not be prudent to drop the 75 basis points altogether, but by reducing it to 50 basis points would provide some relief to the participants and still have sufficient revenue to cover the loan repayment schedule.

Mr. Klawon made a motion to reduce the basis points from 75 to 50 in the Defined Contribution Retirement Plan, effective the quarter ending September 30, 2006. Mr. Smith seconded the motion, which upon being submitted to vote, was duly carried with the seven attending members voting aye.

Mr. Smith would like the Board to address, in the future, the 12b-1 fees and excess fees returned by Great West for participants in both the DCRP and 457 Plan. He felt the plan should not benefit from the duplicate fees, but the redundant fees paid by participants should be returned to those participants who are paying the double fees.

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DCRP/457 Overlapping Investment Options Policy – At the June meeting, the Board had discussed investment options available in the PERS 401(a) Defined Contribution Retirement Plan (DCRP) and the State 457 Deferred Compensation Plan (457 Plan). There are a number of similar funds within the two plans and the Board needs to formalize the investment option structure. Per Board directive, a policy was drafted regarding the overlap of investment options between the two plans.

Ms. Samson pointed out the Board has already adopted separate and individual Investment Policy Statements (IPS) for analyzing, retaining and changing investment options available within the DCRP and the 457 Plan. It is the objective within this DCRP/457 Overlapping Investment Options policy to address the duplication of investment options between the two plans while ensuring that the responsibilities, established investment structures, and procedures for review and changing investment options are met. Investment options within the two plans may be the same or duplicated, to the extent that all criteria, benchmarks and other requirements of the Investment Policy Statements (IPS) are met, and that the maximum number of investment options within the established investment structure of each plan are not exceeded.

Mr. Klawon moved to adopt the DC Plans Investment Option Overlap Policy. Mr. McGee seconded the motion, which upon being submitted to vote, was duly carried with the seven attending members voting aye.

Profile Funds/Asset Allocations Review – Great West Retirement Services (GWRP) provides profile funds as investment options. They have five categories: aggressive, moderately aggressive, moderate, moderately passive, and passive. The Board has twice determined to discontinue these profile funds and build custom asset allocation funds using the investment options already available. Custom asset allocation funds require programming changes within the recordkeeper's (Great West) system. A request has been placed on the Great West IT "wish list," but does not have high priority. The challenge with using GWRP profile funds is that the funds' underlying investments can not be reviewed against the investment policy statement's criteria, and the Board has no ability to direct or change the underlying investment funds. This situation may conflict with the Board's fiduciary responsibilities.

In keeping with the Board's recent decisions, we can have three asset allocation funds within the 457 plan; however, there are five profile funds. The issue in question is not the value of the GW profile funds themselves, or the composition of the GW profile funds, or anything of that nature. It is the fact the Board has Investment Policy Statements (IPS) that say "all investment options need to meet the criteria" and that does not occur with the GW profile funds. Nor would it occur with any other company's asset allocation funds because the Board has no ability to ensure that the underlying investments in any asset allocation fund meet the criteria in the IPS's. Because the funds do not meet what has been determined to be the Board's set number of asset allocation funds, the Board needs to decide if they want to make a change now, or make a change in the future.

The Board had previously decided they wanted to build asset allocation funds. They would discontinue the GW Profile funds and have three asset allocation funds available using the core options within the plan. At that time, the pricing to build those custom asset allocation funds with GW was fairly expensive and the Board's directive was to negotiate a lower price. At that particular time, GW was not in a position to discuss a lower price. However, given some of the advancements GW has made, if the Board still chooses to go with building custom asset allocation funds using our underlying funds, that price could probably come down significantly. The Board needs to decide what they want to do.

Mr. Klawon made a motion to close the profile funds effective September 30, 2006, move the default to the Balanced Fund, and show asset allocation models based on remaining funds. Ms. Nedrow seconded the motion, which upon being submitted to vote, was duly carried with six of the attending members voting aye, and Mr. Smith voting nay.

Mr. McGee asked for Ms. Samson's opinion. She noted the observation is that participants like the ease and convenience of not having to make the decision of where to invest. The purest way to operate is to have three asset allocation funds using the Board's core funds (building custom funds with the funds already being offered). That meets the IPS and the policy statement just adopted. We would be category specific, not fund specific, thus, not giving advice.

Mr. Klawon made a motion that staff ensure the upcoming Request for Proposal (RFP) requires the recordkeeper to maintain asset allocation funds using underlying investment options that meet the criteria in the Board's investment policy statement (maintain custom funds). Mr. Griffith seconded the motion, which upon being submitted to vote, was duly carried with the seven attending members voting aye.

Executive Director Recruitment and Selection Policy Revisions – Per Board direction, recruitment, selection and supervision of MPERA's legal counsel were changed from the Board to the Executive Director. Staff has modified the Board policies that address the recruitment, selection and performance appraisal for legal counsel. Ms. Symons relayed discussion from the NAPPA conference relating to these policies. At the NAPPA Conference, there was a great deal of discussion regarding "ethical considerations," and that it is very important the Board supervise and be involved with the hiring and the performance appraisal of legal counsel. Ms. Symons suggested with the performance appraisal for legal counsel, the Board could appraise the presentations at the Board meetings, not the day-to-day duties.

Mr. McGee questioned the change under "Procedures – G. 1. – The personnel committee ~~may~~ will request assistance from MPERA staff ~~or~~ and the Human Resource Office of the Management Support Bureau, Department of Administration (DOA)." Ms. Symons stated that staff felt it was very important the Board Personnel Committee get assistance from HR personnel who understand the hiring process so we do not have the same debacle as before. Mr. Klawon adamantly opposed the change as well. He felt the service in the recent past from the DOA HR personnel was totally incompetent. Mr. McGee felt the language should remain "may" and "or" because the Board should have the choice to hire outside HR assistance, or use DOA HR personnel.

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Mr. Klawon moved that the Board amend its Recruitment and Selection Policy to address the Executive Director only, not legal counsel, as amended. Mr. Paull seconded the motion, which upon being submitted to vote, was duly carried with the seven attending members voting aye.

To attract potential quality candidates, the Board may reimburse a candidate for travel, lodging and meals to attend an interview. Ms. Minnehan felt the Board should also have a policy regarding reimbursement of relocation expenses. The Board agreed that reimbursing up to \$5,000 of moving expenses may not cover the entire cost, but would be reasonable. Mr. Klawon moved that the Board reimburse a candidate, based upon receipts submitted, a maximum of \$5,000 for moving expenses. Mr. McGee seconded the motion, which upon being submitted to vote, was duly carried with the seven attending members voting aye.

CLOSED MEETING

The following portion of the meeting relates to matters of individual privacy. President Carey determined that the demands of individual privacy clearly exceed the merits of public disclosure. As such, this portion of the meeting will be closed.

Ms. Flatow introduced Katie Linjatie, the new Disability Claims Examiner. Her previous work experience in the disability field has been with State Fund and as an insurance adjuster with a private company.

Mr. Klawon departed the meeting.

CONTESTED CASES

David Watson – Informal Reconsideration – The Board reviewed and denied Mr. Watson's claim at the May 2006 meeting. Mr. Watson is requesting that the Board reconsider their determination. After a lengthy discussion, Mr. McGee moved that the Board postpone their decision on the disability claim for David Watson until the September 14 Board meeting, pending receipt of additional medical information. Mr. Griffith seconded the motion, which upon being submitted to vote, was duly carried with the six attending members voting aye.

Richard Golden – Informal Consideration – Richard Golden, on behalf of himself and others allegedly in similar situations, requests the Board to review and overturn the May 11, 2006 staff determination that Mr. Golden is not entitled to an increase in the MPORS retirement system benefit he currently receives.

Mr. Paull moved that the Board deny the request to increase the retirement benefit paid to Richard Golden and other similarly situated retired police officers identified in the November 10, 2005 letter. Mr. Griffith seconded the motion, which upon being submitted to vote, was duly carried with the six attending members voting aye.

MINUTES OF CLOSED MEETING

The Executive Director presented the minutes of the closed meeting of June 1, 2006. Mr. Griffith moved that the minutes of the previous closed meeting be approved as amended. Mr. McGee seconded the motion, which upon being submitted to vote, was duly carried with the six attending members voting aye.

RETIREMENT REPORT – Kim Flatow, Member Services Bureau Chief

Disability Claims – Ms. Flatow presented the disability claims for Board consideration. Following a lengthy discussion, Mr. Paull made a motion for approval of the disability claims as recommended for Douglas Casson, Robert J. Williams and Patrick Campbell, without annual review; for Rita Bridenbauch, with annual review; for Janet Denman, with review in six months; and denying the claim for Diane Andrews. Mr. McGee seconded the motion, which upon being submitted to vote, was duly carried with the six attending members voting aye.

Mr. Smith moved to approve the disability claim for Andrew Janhunen without annual review. Mr. Griffith seconded the motion, which upon being submitted to vote, was duly carried with five of the attending members voting aye, and Mr. Paull abstaining.

Finalized Service/Disability Retirement Benefits and Monthly Survivorship/Death Benefits - Applications for service retirements/finalized disability benefits and applications for monthly survivorship-death benefits were presented to the Board. Mr. Griffith made a motion to approve the retirement benefits as presented. Mr. Paull seconded the motion, which upon being submitted to vote, was duly carried with the six attending members voting aye.

Contested Case Report Update - The Board Attorney presented a contested matter status report update.

EXECUTIVE SESSION

The Board went into Executive Session regarding staff action and discussion of individuals.

The closed meeting was recessed and the open meeting was reconvened.

OPEN MEETING

Performance Appraisals – It was the policy of the Board that the Board's Personnel Committee, with input from the other Board members, would conduct annual performance appraisals of the Executive Director and the Board's attorneys. Per Board direction, the policy was amended to remove the attorney performance appraisals. The Board will conduct the Executive Director's performance appraisal, and the Executive Director will conduct an annual performance appraisal of the Board's legal counsel, as well as ensuring that performance appraisals are conducted at least annually for every MPERA employee.

Mr. Paull moved that the Board amend its Performance Appraisal policy to reflect that the Board will conduct the Executive Director's performance appraisal only, while retaining general requirements regarding other MPERA performance appraisals. Mr. Griffith seconded the motion, which upon being submitted to vote, was duly carried with the six attending members voting aye.

Local Police Letter – Cut Bank and Dillon – At their June meeting, the Board had discussed sending a stronger message to Cut Bank and Dillon regarding the seriousness of their under-funded local police systems. The letters have been completed and approved by the Board.

Board Committee Appointments – Board committees are to be reviewed annually to determine the need for the committee, the make-up of each required committee, and appoint the committee chair. President Carey announced her committee appointments as follows:

Personnel Committee
Beth Nedrow, Chair

Negotiations Committee
John Paull, Chair
Troy McGee
Jay Klawon

Legislation Committee
Bob Griffith, Chair
John Paull
Troy McGee

Joint Issues Board Representative
Carole Carey
John Paull

RFP Committee
Beth Nedrow, Chair
Terry Smith

Education Committee
This committee is no longer needed.
Establish committee if/when necessary.

Executive Director Hiring Committee
This committee is no longer needed.

Rule Reviewer – Statute requires that the Board have two rule reviewers. One is the Department of Administration's legal counsel. The other one was Kelly Jenkins, who no longer works for MPERA. Melanie Symons was appointed as replacement for Mr. Jenkins. Mr. Paull moved that Melanie Symons be appointed to be the Board's rule reviewer pursuant to Section 2-4-110, MCA. Mr. Griffith seconded the motion, which upon being submitted to vote, was duly carried with the six attending members voting aye.

Lobbyists – The Board's current president, Carole Carey, will replace Terry Teichrow as the Board contact for lobbying purposes. As Executive Director, Roxanne Minnehan needs to be registered as a lobbyist for the Board. It was also recommended that Kim Flatow be registered, as she would be a great asset as a Board representative at the legislature. Mr. Paull moved that the Board register Roxanne Minnehan and Kim Flatow as Lobbyists for the Board. Mr. Griffith seconded the motion, which upon being submitted to vote, was duly carried with the six attending members voting aye.

Defined Contribution Plan RFP Committee Report – Mr. Smith reported that the RFP committee has met twice so far. As a result of the first meeting, Ms. Samson prepared the RFP and RFP template. They reviewed the project overview, identifying the RFP request for administrative services and recordkeeping as two separate items for vendors to bid on. Any questions on the RFP are to be directed to the State Procurement Bureau. The scope of the project is where they spent the bulk of the meeting discussing the managed accounts from the vendors, annuities, self-directed brokerage accounts, guidance and “advice,” whether or not to require the vendor to have a local office in Montana, or having the vendor address how they would overcome the obstacles of administrative services and interfacing with staff if they do not have an office in Montana. Ms. Nedrow added that the committee will be considering the various components of the RFP, what services the plan needs, and which services will be optional. The RFP committee will be meeting again on July 26 at 10 AM, and again on August 11.

DC Plan Conference Options – Due to staff’s heavy involvement in the RFP process for recordkeeping and administrative services, they will not be attending the NAGDCA Conference this year and they strongly recommend that any Board member involved in the RFP process not attend the NAGDCA conference. However, information on other conferences was provided, with the possibility of attending a different conference with similar information after the RFP is out, hopefully, on October 2. Mr. Griffith stated he is still considering attending the NAGDCA Conference in Kansas City, MO in September and will make his decision soon.

NAPPA Conference Update – Ms. Symons gave a brief report on the NAPPA Conference she attended June 27-30, 2006. She stated it was the best NAPPA conference she has gone to. It covered a many good, timely issues, such as ethical considerations, how to balance confidentiality with being helpful to a member and then if their case goes before the Board, making sure you haven’t violated any confidentiality. Board governance – Anytime any decision is made by the Board as a whole, if it impacts an individual Board member’s own retirement benefit, they can still vote on the matter but just disclose that on the record. Mr. McGee requested that Ms. Symons put together a generic disclosure of what a Board member should say if they type of situation arises. Other issues covered were USERRA (Uniformed Services Employment and Reemployment Rights Act), equitable estoppel, impairment of contract, and indemnification.

SAVA Meeting Update – Ms. Minnehan reported on the SAVA Committee meeting which met on June 22, 2006. Their main focus was listening to proposed legislation and voting to allow bill drafting. They did not vote to support or oppose any proposal. They did approve that the Board’s bills move forward. The three pieces of legislation the Board is proposing are:

- Correct the actuarial soundness of PERS, SRS and GWPORS by increasing the employer contributions
- Request reimbursement for the implementation costs of the PERS – DCRP
- General Revisions Bill

David Ewer, Budget Director, informed Ms. Minnehan that the Governor’s office will be supporting a 2% GABA for new hires. They will also propose an infusion of money into PERS and TRS, with a larger sum going to TRS, plus an increase in employer contributions.

The next SAVA meeting will be late September or early October to allow for actuarial information.

Board of Investments (BOI) Update – Mr. Paull reported that the BOI had sent out an RFP to hire some asset managers to manage the Montana International Equity Pool. Of the 60 responses, they are in negotiations with eight new active managers in three different categories: value, core and growth. The benchmark for the International Equity Pool has been changed to Morgan Stanley Capital International benchmark.

On the Real Estate Investment Pool, BOI talked to Cortland Partners, who agreed to be the real estate consulting firm. They plan to use 5% of the pension assets to invest in the new real estate pool.

On Friday, July 14, 2006, Cortland Partners, R.V. Kuhns and the BOI are meeting to discuss the core funds they want to invest in. Of the money to be invested in the real estate pool, Clifford Sheets wants 40-60% invested in core funds and the rest invested in non-core real estate funds.

The TRS Asset/Liability Study has been completed and will be on their Website. It is important to note that the goals can not be met by TRS without an increase in employer contributions.

Future Board Meetings – Thursday: August 10, September 14, October 12, November 9 and December 14, 2006.

Operational Summary Report - The Executive Director presented an operational summary report for the month of June 2006, answering any questions Board members had.

ADJOURNMENT

There being no further business to come before the Board at this date, Mr. Griffith made a motion to adjourn the meeting. Mr. Paull seconded the motion, which upon being submitted to vote, was duly carried with the six attending members voting aye. The next meeting is tentatively scheduled for August 10, 2006, at 8:30 a.m. in Helena.